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## SMITH KLINE & FRENCH LABORATORIES ANNUAL REPORT 1969



Cover: SK&F's new 'Cendevax' German measles vaccine will help to prevent future tragedies like this one—permanent impairment of hearing in a young child whose mother contracted the disease during her pregnancy. This little boy was one of an estimated 20,000 babies who were either afflicted with birth abnormalities or born dead as a result of the German measles outbreak of 1964-65. Scientists expect another outbreak of the disease in the early to mid-1970's.



SMITH KLINE & FRENCH LABORATORIES  
1500 Spring Garden Street  
Philadelphia, Pennsylvania 19101

William L. Grala  
Director  
Corporate Public Relations

## HIGHLIGHTS

	1969	1968
Sales .....	<b>\$315,414,000</b>	\$282,986,000
Earnings before income taxes .....	<b>86,099,000</b>	89,908,000
Net earnings .....	<b>40,499,000</b>	42,338,000
Per share of common stock:		
Earnings .....	<b>\$2.81</b>	\$2.92
Dividends .....	<b>2.00</b>	2.00
Shareholders' equity .....	<b>175,558,000</b>	169,887,000
Research and Development expenses ....	<b>29,066,000</b>	28,153,000
Capital expenditures .....	<b>12,620,000</b>	9,948,000
Number of shareholders of record .....	<b>18,950</b>	16,679



Walter A. Munns,  
Chairman of the Board



Thomas M. Rauch,  
President and Chief Executive Officer

## TO OUR SHAREHOLDERS

In 1969, sales reached a record high of \$315,414,000, an 11.5% increase over 1968 sales of \$282,986,000. This increase of \$32,428,000 was the largest annual increase in Company history and was significantly influenced by the introduction of our LOVE cosmetic line in the United States and growth in our recently acquired European pharmaceutical subsidiaries.

Net income was \$40,499,000, or \$2.81 per share, a 4.3% decrease over 1968 net income of \$42,338,000, or \$2.92 per share. The decline in earnings was largely caused by the introductory costs of our cosmetic venture and by increased manufacturing and marketing costs.

The year 1969 was an eventful one in the organization and management of your Company. Early in the year, a management committee of SK&F's executives conducted a study of our business—where we were and where we should go to assure growth for the 1970's. From this study, we evolved a strategic plan calling for SK&F to emphasize growth in three related areas where we believe we have management strengths and where there are sizeable expanding market possibilities.



The first area of concentration is our pharmaceutical business, on which SK&F was founded. These operations still contribute most to sales and earnings. Growth in our pharmaceutical business will be energetically pursued on a worldwide basis and will encompass not only prescription medicines for humans, but also products for the treatment of animals. In 1969, there was strong growth in our international pharmaceutical business.

Our second area of concentration is consumer products. In this area, we have our 'Contac' proprietary drug products, our Sea & Ski suntan business, our Avoset food subsidiary and our new LOVE cosmetic line. LOVE was introduced in 1969, as a major new venture, and the line has been well received by the public. During 1969, we significantly expanded our 'Contac' proprietary medicine business in worldwide markets.

Our third main area of concentration is the provision of support to the medical profession in the delivery of health care. In December, we announced the formation of a Medical Services and Instrument Division, which will guide our efforts in this rapidly expanding field. At present, our medical services and instrument operations consist principally of the SK&F 'Eskalab' clinical chemistry system and the Corbin-Farnsworth patient monitoring system (both described elsewhere in this report), and our recent entry into the clinical laboratory field. We are highly satisfied with our new associations with four distinguished clinical laboratories headed by outstanding pathologists who have made important

scientific contributions to diagnostic techniques.

As part of our corporate strategy, we intend to concentrate our efforts on a worldwide basis in these three areas, where we already have established positions and management strengths. By doing so, we believe that we can expand SK&F's sales and earnings.

There is a fourth area of activity—our ultrasonics business—which is growing rapidly. We are confident that in a few years this area will also become one of increasing importance to your Company.

As we defined goals for the future, we also made a number of organizational changes to tighten up our administration and to provide the structure necessary to carry out our new objectives.

Looking ahead, we see 1970 as a significant year for Smith Kline & French. The patent on our 'Thorazine' tranquilizer is expiring in July, and our pharmaceutical group has been preparing for this eventuality to minimize the impact on our operations. You can expect continued aggressive moves by your management as it pursues growth in our areas of major thrust on a worldwide basis.

There have been the following changes in your Board of Directors: Mr. Thomas L. Ralph, who has given us 15 years of dedicated service, retired from his association with The Fidelity Bank and



resigned from the Board. Mr. Samuel H. Ballam, Jr., Executive Vice President of The Fidelity Bank, was elected to fill this vacancy. Mr. Robert O. Anderson, Chairman of the Board and Chief Executive Officer of the Atlantic Richfield Company, resigned from the Board due to the pressure of other duties, and Mr. Carter L. Burgess, Chairman and Chief Executive Officer of the National Corporation for Housing Partnerships, was elected to the Board to replace him.

Mr. Francis Boyer has now served the Company for 50 years (Executive Vice President from 1936 to 1951, President from 1951 to 1958, Chairman from 1958 to 1966). He will be 77 in June and is retiring from the Board at the annual meeting in April so that his directorship may be filled by a younger man.

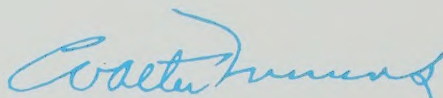
In view of his past service and his many connections with the medical profession, your Directors intend to give him the permanent title of "Chairman Emeritus" and his office will remain at 1500 Spring Garden Street.

We would like to thank our employees for their continuing contributions to the Company's performance last year and to express our confidence in the results they will achieve during 1970.

To underline our belief in the importance of people in the success of our business, we have devoted this annual report to a review of our management personnel and their plans.



Thomas M. Rauch  
President and Chief Executive Officer



Walter A. Munns  
Chairman of the Board

Philadelphia, Pennsylvania, February 23, 1970



## MANAGEMENT COMMITTEE



Stanley C. Fenwick  
Group Vice President,  
International

William Steytler, Jr.  
Vice President,  
Corporate Personnel

Alfred J. D'Angelo  
Vice President,  
Corporate Technical Services

Donald van Roden  
Group Vice President,  
Pharmaceuticals

Thomas M. Rauch  
President and  
Chief Executive Officer

Robert F. Dee  
Group Vice President,  
Consumer, Animal and  
Instrument Products

Hubert D. Vos  
Vice President,  
Corporate Planning and Finance



## PHARMACEUTICALS

Donald van Roden and Stanley Fenwick with their marketing specialists—Joseph Weaver, International Marketing Development Director, and J. Somers Smith, Vice President, Marketing—Pharmaceuticals.





SK&F's new 'Cendevax' German measles vaccine in dosage units; the 'Cendevax' marketing team: Richard Power, Manager, New Product Marketing; Charles Bolling, Director, Product Management; and William Pilling, Director, Professional Services; R.I.T. scientists Dr. Constant Huygelen and Dr. Abel Prinzie, who played key roles in the development of 'Cendevax'.

In the increasingly competitive pharmaceutical business, careful planning for growth is absolutely essential. We are beginning to see some of the results of our past planning as we broaden our pharmaceutical base of operations.

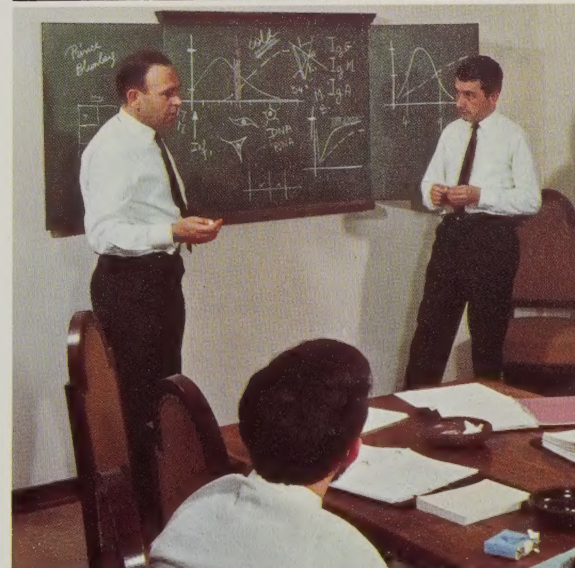
We are pleased that our development of a German measles (rubella) vaccine has been a success—with approval to market received in many countries and approval in the United States expected shortly.

Its development was a worldwide R&D effort, with clinical trials conducted simultaneously in the United States, Jamaica, England, Switzerland, Belgium, Italy, Puerto Rico, South Africa, Japan and elsewhere. Over 100,000 children and adults received the SK&F vaccine during these trials, with the studies showing that the vaccine is effective and well tolerated.

The U. S. government estimates that 50 million children between the ages of one year and puberty must be vaccinated within the next few years to transform German measles from a common disease to a rarity. Moreover, the government is expected to support voluntary rubella vaccination programs nationwide. Although two other rubella vaccines entered the U. S. market ahead of ours, mass immunization programs are not yet fully under way, and the market is large.

Recherche et Industrie thérapeutiques, S. A., our Belgian subsidiary, began developing the vaccine in 1963. SK&F acquired a one-third interest in R.I.T. in 1959, and acquired the remaining interest in March, 1968. The vaccine is being manufactured in R.I.T.'s new \$2,800,000 plant at Rixensart, Belgium.

During 1969, we showed marked improvement in sales of our diuretics and continued growth in several of our other product lines.





Charles Bolling listens as copywriter Gloria Crawford makes a presentation; observing are Michael Hill, Product Marketing Manager, and David Dodd, Manager, Advertising and Sales Promotion.



We have several new products on stream for the domestic market. 'Ornex', a decongestant-analgesic sinus remedy for over-the-counter ethical sales, was introduced to the medical profession in January of this year. At this writing, we are expecting permission from the Food and Drug Administration to market 'Eskalith', SK&F's brand of lithium carbonate, for the treatment of the manic phase of manic-depressive psychosis. We have 'Alavon', a 'Spansule' capsule tranquilizer combining trifluoperazine and amobarbital, in clearance process with the FDA. This product was introduced in Australia late in the year under the trademark 'Calavon'. Also awaiting approval to market is a new nonprescription antacid.

During 1969, we introduced 'Duatrol', a new antacid/antiflatulant, in Canada and we added a new product, 'Spaneph' Spansule capsules, for the treatment of bronchospasm, to our line of products in Great Britain.

A light moment is shared by Robert Cook, Sales Manager; James Gillespie, Divisional Sales Manager; William Pilling, and David Dodd.



Last year was the first in which the acquisition of R.I.T. was reflected in the operating results of the corporation. This acquisition has a significant impact on our International operations, since it gives SK&F an operating base in the European Common Market. R.I.T.'s sales were excellent during the year, with sales of antibiotics and biologicals above budget.

'Resaltex', a new diuretic/antihypertensive agent, was introduced in Germany for us by Rohm & Haas Pharma G.m.b.H., an SK&F affiliate that serves as a marketing outlet for sales of our products in Germany and Austria.

In addition to our pharmaceutical business for humans, we are engaged in the worldwide research, production and marketing of animal health and nutrition products.

Our subsidiary Norden Laboratories, Inc., in Lincoln, Nebraska, develops and markets ethical veterinary biological and pharmaceutical products. Our Feed Additives business, located in Philadelphia, develops and markets products for the agricultural market.

Norden Laboratories once again had an outstanding year of growth, with increased sales. There was good acceptance of the company's medicines and vaccines for the family pet, including 'Enduracell', Norden's unique vaccine for preventing canine hepatitis and distemper; 'Endurall-R' rabies vaccine; and 'Felocine', the company's new vaccine for feline distemper.

The Feed Additives Department continued to expand its operations during 1969. Sales of 'Bloat Guard', the first effective preventive of legume bloat in cattle, were up significantly over 1968.

Our animal health research center in Chester County, Pennsylvania, opened in 1967, provides facilities for research in food-producing animals, and a number of new feed additive and animal health products are currently under development there. The main thrust of the R&D program is the development of new compounds to enhance the growth of food-producing animals. We are also putting a substantial effort into the study of improved worming compounds.



At SK&F's new Puerto Rican facilities are John Souder, head of Puerto Rican manufacturing operations, and John Nevin, Vice President, Manufacturing—Pharmaceuticals.



## RESEARCH AND DEVELOPMENT

Research and Development Management:  
Henry Longnecker, Director, Supporting  
Operations; Harold Clymer, Vice President,  
Research and Development—Pharma-  
ceuticals; Dr. Leon Greene, Director,  
Development; Dr. Maurice Nance, Medical  
Director, and Dr. Bryce Douglas, Director,  
Research.





SK&F is intensifying its focus on basic drug research in 1970—the kind that can lead to important new products.

The high cost of getting a drug to market means the potential return on a new product must be high, and to make it high, it must be superior to other products in an area where there is great medical need. In effect, it must be a breakthrough.

To seek such products SK&F's scientists are doing frontier research, probing deeply into the why and how behind biological processes. This is the only kind of research that can lead to unique therapy, and it is the main thrust of our program. Meanwhile, the search for more immediate product opportunities is continuing, both in our own laboratories and through acquisition.

R&D changed direction dramatically in 1967. Under new leadership the division set totally new goals, shifting from many diverse programs to the few basic ones that looked as if they could lead to breakthrough therapy.

Change continued in 1968 as manpower and scientific resources were applied to new goals. In 1969, a modern management yardstick began measuring the programs. These measurements are bringing further shifts in emphasis in 1970.

R&D sums up what it is doing in a simple equation: opportunity = need + technical feasibility.

SK&F is measuring medical need and market potential and projecting how they may change over the next five to 10 years, because it takes that long to get a drug product to market. The Company is looking at the state of the art and how it is likely to improve and at its own capabilities to see how it measures up. Then it proceeds.

Some of the research programs have both short- and long-range objectives. Short-range research screens com-

pounds, using animal models, to find a drug to control a specific symptom or condition. Long-range research tries to find out why the condition occurs and perhaps how to prevent it.

Our researchers are working in a few concentrated areas:

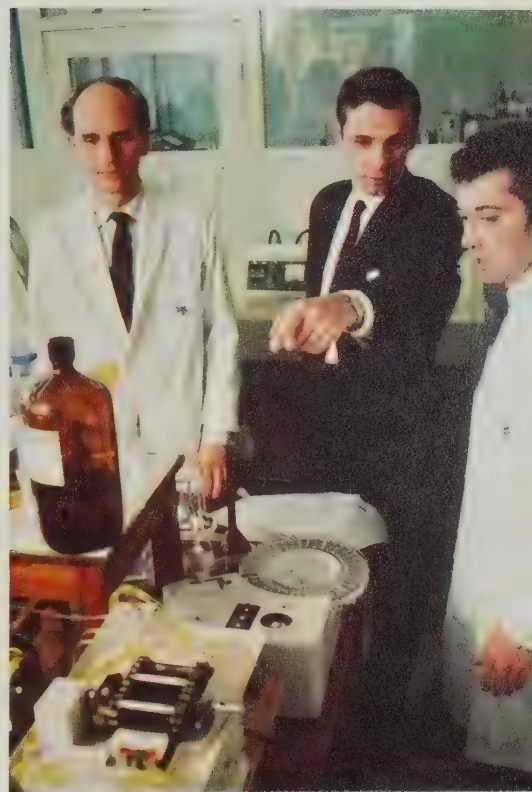
There is great need for a drug to improve learning and memory. SK&F, long familiar with drugs affecting the mind, is seeking such a drug. It would be in a class by itself therapeutically, with great potential. Long-range research here could lead to better understanding of performance and behavior, and to drug treatment of aberrations now little understood.

Social and political pressures to control air pollution are mounting, and the medical need for relief of respiratory diseases is great. SK&F two years ago pioneered a study of how and why respiratory mucus is secreted, perhaps the key to treatment of virtually all such diseases. Certain kinds of pure mucus could not be collected for study before we started our research, and the Company spent a full year developing a small animal "factory" for making it.

The short-range goal of the respiratory research program is an advance in bronchodilator therapy—through an agent that will widen airways without speeding up the patient's heartbeat. A drug offering such therapeutic advantages could expect broad acceptance. We have one compound well advanced in clinical testing and a series of other active compounds under intense scrutiny.

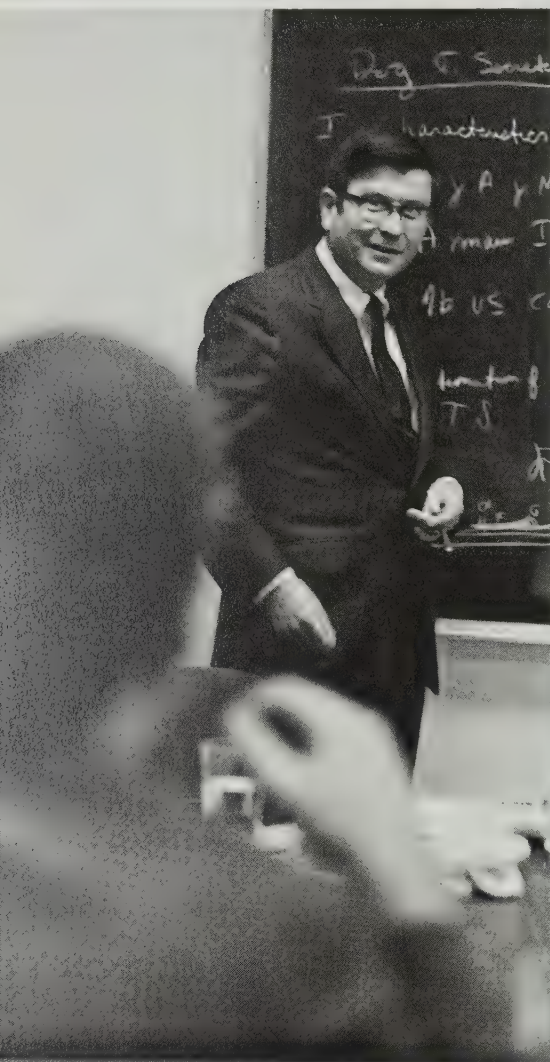
In a related area, oxygen transport, SK&F is seeking breakthrough therapy for many different diseases, which, like bronchitis and emphysema, are characterized by an insufficient oxygen supply to vital tissues.

Dr. William Duncan, Director, SK&F's Research Institute at Welwyn Garden City, England, with two members of his R&D staff. Professor Henry Rapoport of the University of California, Berkeley, an internationally known consultant in chemistry, confers with Dr. Jerry Weisbach and Dr. Bryce Douglas. Professor Rapoport is one of many distinguished scientists from a number of disciplines who work closely with SK&F's researchers.





Dr. Roy Patterson, Chief of Allergy-Immunology Section, Northwestern University School of Medicine, collaborates with SK&F scientists researching respiratory diseases.



One of every 10 people in the United States has had or will have a duodenal ulcer. Products are available to neutralize the kind of acid that causes ulcers and their painful aftermath, and SK&F is planning to market a new long-acting antacid. The Company now is screening short range for a unique oral drug that would prevent the secretion of excess acid without affecting the autonomic nervous system. Such a drug would not produce side effects like blurred vision and dry mouth, common to today's medicines.

Ulcers can be caused either by too much acid or by too little resistance to "normal" amounts of acid. Long-range

researchers are exploring both of these areas.

One team is trying to learn how acid is secreted—and how it can be turned off. A second team has developed an animal model, which for the first time enables researchers to study humanlike chronic duodenal ulcers in the laboratory.

We are studying other drugs to treat or cure rheumatoid arthritis, obesity and diabetes, and coronary artery disease, especially angina pectoris. We are also well along in research into antiviral drugs, vaccines and antibiotics to control disease.

The principal target in antiviral research is the common cold. Colds and related upper respiratory diseases cost U. S. business and industry an estimated \$5 billion annually, more than all other diseases combined. Work loss amounts to 150 million workdays a year. A product to prevent or cure colds would have enormous potential.

SK&F is working with a series of compounds effective in laboratory experiments against 20 common cold rhinoviruses. Until recently, there was no way to prove that compounds effective in the test tube would work in warm-blooded animals as well. Rhinoviruses that attack people do not infect common laboratory animals, and this has long stymied real progress in this area.

A breakthrough came in 1968, when research at the University of Wisconsin produced a human rhinovirus infection in chimpanzees. But chimps are hard to handle and expensive, impractical for extensive testing. In 1969, SK&F succeeded in producing similar infections in the white-handed gibbon, which is about one-tenth the size of the chimp. This small, easy-to-handle relative of the chimp is being used to evaluate SK&F's antirhinoviral compounds.

Interferon is coming under intensive study as a potential virus inhibitor. It is

a natural substance produced by the body's cells in response to virus infection. It interferes with a broad variety of viruses that may attack the body. Scientists have known about interferon for about a decade. But human interferon is difficult to produce, and scientists have been hindered in their work with it. SK&F is now producing human interferon and has launched a program to evaluate it.

Research during the past few years has shown that it is possible to produce a drug that would stimulate a patient's own interferon factory. The Company is seeking both natural and biosynthesized interferon inducers—substances that, like a virus, trigger cells to make interferon. We have discovered an interferon inducer derived from a natural substance and are applying for a patent on it.

New and improved bacterial vaccines are needed throughout the world for both humans and animals, and here too we are investigating a new approach—the production of potent new vaccines from tiny fractions of the bacteria that cause disease—better vaccines with fewer side effects. We have developed some leads from our initial testing.

Even though our reoriented R&D programs are seeking future goals, promising compounds are already beginning to emerge. In addition to the leads indicated above, we are advanced in our studies of a compound that may become a drug to relieve the painful symptoms of arthritis.

We have filed with the government on several Investigational New Drugs in a variety of therapeutic areas. However, all R&D is an uncertain and delayed response system. This is especially true today in the pharmaceutical industry, where converting a unique research finding to a marketed product presents many hurdles, both scientific and regulatory. The attrition rate is accordingly high.



Dr. Jack Knappenberger, President, Norden Laboratories, with Dr. Eldon Davis, one of Norden's top scientists.



Peter Hickman, Director, Animal Health Products Division, with his Director of Research and Development, Dr. George Scott.

**Our animal health research for veterinary pharmaceuticals and biologicals is carried out in our Norden Laboratories' headquarters in Lincoln, Nebraska.**

**During 1969, Norden's R&D organization continued development work on several potential new products. The company introduced 'Resbovac', a vaccine for the treatment of shipping fever, which is a serious respiratory disease in cattle.**

**This product received FDA marketing approval late in 1969. The method of production used in preparing 'Resbovac', which is a result of Norden's own technology, assures a highly potent vaccine that veterinarians can use with assurance of safety in vaccinating cattle on the range before shipment to stockyards.**



## CONSUMER PRODUCTS

Robert Dee and Peter Godfrey, Vice President, Consumer Products, with Samuel Rulon-Miller, Executive Vice President, Menley & James Laboratories, and Alan Dalby, Marketing Director, SK&F Canada.







Our sales of general consumer products now comprise a substantial portion of our total business volume. Most of this is in proprietary drug products, but we have also established a position in the cosmetics business, have one of the leading companies in the sun care products industry and are marketing a growing number of convenience food products. In 1969, our sales from consumer products reached new highs.

Sales of Menley & James Laboratories, Ltd., were excellent. Gross sales for 'Contac' capsules and 'Contac' Nasal Mist broke all previous records.

The high level of sales achieved by 'Contac' is especially significant since three new competitive cold remedies were introduced nationally in 1969, each supported by heavy advertising, with the result that the cold products market became more fragmented.

We took steps to expand our cold products sales in Japan with the introduction of 'Contac' Sekidome, a combination cough-cold capsule, and a new 'Contac' Troche; both were well received. Sales of 'Contac' in Japan are second only to the United States.

'Contac' has also done well in a number of other international markets. Sales in Canada, Mexico and Germany broke records in 1969. During the year, we introduced 'Contac' in India and Pakistan and, under the trademark 'Durasina', in Spain.



William Howe, Vice President, Advertising, Menley & James, and Ann Gurney, LOVE Cosmetics' Product Manager.



'Contac' Product Manager Malcolm Barlow.



Last year, our LOVE cosmetics line was successfully launched. LOVE has been promoted primarily through commercials on network TV and extensive magazine advertising, both directed specifically at young women between age 18 and 35. This group appears to have understood and appreciated the fresh approach used in packaging, magazine advertising and TV commercials, and acceptance continues to be excellent.

During the year, the LOVE line of cosmetics was also introduced in Puerto Rico and is being launched in Canada this spring.

Towards the end of 1969, Menley & James completed plans for major new promotional efforts for the LOVE line in 1970. These promotions will introduce new products and new shades of current items. Menley & James is also actively exploring possibilities of marketing other consumer-oriented products.







For another of our consumer product subsidiaries, Sea & Ski Corporation of Reno, Nevada, 1969 was a year in which its rate of growth was slowed by bad weather and the most fiercely competitive year in the history of the sun care products business.

Sea & Ski's introduction of its revamped 'Tanfastic' line, with its promotional appeal to teenagers, was a marketing success. Less than a year after introduction, 'Lipsaver', Sea & Ski's lip balm in four flavors, had acquired a good position in the lip balm market.

New products introduced nationally by the company in 1969 included a Dark Tanning Butter in both the 'Sea & Ski' and 'Tanfastic' lines, plus 'Blockout', the widely acclaimed new protective lotion for sun-sensitive skin. Sea & Ski's products are being marketed overseas: Canada, Australia and several countries in the Caribbean currently carry the line.

For 1970, Sea & Ski currently is unveiling a new advertising and promotional program. Its theme has been carefully designed to appeal to today's socially alert young people, who purchase 70% of all suntan products.

Sea & Ski Corporation Executives Edwin Kerner, Vice President, Sales, and Byron Mayo, President.





Robert Manlove, President, Avoset Food Corporation, and members of his Executive Committee test new Avoset food products.

**A substantial contribution to the sales total of our Consumer Products Division was made by the Avoset Food Corporation. Avoset had record sales and profits last year and continued the expansion of its convenience food business.**

**During the year, Avoset established a new production operation in a leased plant in Washington Court House, Ohio. From this facility the company is servicing markets in the Midwestern, Southern and Eastern United States more efficiently and with reduced distribution costs. Previously these areas were supplied from Avoset's main production facility in Gustine, California.**

**The company's ability to expand the shelf life of food products through sterilization and aseptic packaging offers an important competitive advantage. As a result, Avoset's sale of products in Pure-Pak cartons rose appreciably in 1969, and the company's list of customers grew to include more than 150 supermarket and dairy chains for whom Avoset packs in private label. Hotel and restaurant chains and institutional food suppliers are being developed as a new market and offer good potential for Avoset.**

**During 1969 Avoset's sales to airlines increased. Fourteen major lines now use Avoset's sterilized creamers in Portion-Pak containers; the company produces over one million 1/2-ounce containers daily to meet the demands for this product. Salad dressings in Portion-Pak containers were introduced to the airline market in 1969 and are now being used by three major carriers.**





## MEDICAL SERVICES AND INSTRUMENTS

Thomas Corbin, President, Smith Kline Instruments, with 'Lifeguard Systems' monitoring equipment, which he developed; Lawrance Brown, Vice President, Medical Services and Instruments, with John Shober, Director of Clinical Laboratories.



SK&F's strategic planning calls for the development of medical services and instruments as one of the major areas of activity for the Corporation. To carry out this plan, we established the Medical Services and Instruments Division, which at the moment is comprised of Smith Kline Instruments, Inc., and SK&F's Clinical Laboratories. The new division will be responsible for research, development, production and marketing of medical services and instruments, as well as for the acquisition of high-technology companies and products within the scope of SK&F's health-related interests.

The usefulness of sophisticated medical instruments for the diagnosis and treatment of patients is, of course, already established. We have a strong position in this field through our medical instruments subsidiary, Smith Kline Instruments, Inc., of Palo Alto, California. The division completed its move to the West Coast and introduced several new products in 1969.

Last year, Smith Kline Instruments introduced 'Lifeguard Systems', a new concept in monitoring equipment, which combines advanced patient-monitoring techniques with computer and display technology to provide the hospital staff with a continuous supply of vital information on the patient's condition.

With this system, the equipment monitors whichever of the patient's vital functions the hospital staff is most concerned about. The nurse at the central station in the hospital's intensive or coronary care unit watches highly visible wave patterns, which she can instantly "freeze" for closer study. If an irregularity in the patient's vital functions is noted, she can see the patient in his room instantly by activating a remote TV camera which produces a picture of the patient on the monitoring



'Lifeguard Systems<sup>n</sup>' patient monitoring equipment in an intensive care unit of a hospital.

screen at the central station. The hospital staff tending the patient can receive a summary of data on the patient, via the monitor at the bedside which can be hooked to a hospital's computer. Other pertinent information on the patient's condition can be relayed from other departments or areas within the hospital and can also be displayed on this versatile monitoring equipment. Initial acceptance of 'Lifeguard Systems<sup>n</sup>' has been excellent.

During 1969, the division also introduced a new model of its 'Doptone' Fetal Pulse Detector. The 'Doptone' ultrasonically detects pregnancy as early as 12 weeks after conception and provides the physician with a reliable means of confirming fetal life throughout pregnancy.

Sales of our 'Eskalab' clinical chemistry system grew rapidly in 1969. This system provides a simple method of performing biochemical assays. It was used in the Lunar Receiving Laboratory in Houston's Manned Spacecraft Center to test the effect of pulverized lunar material on laboratory animals.

New tests for the system were introduced during 1969, and a number of additional tests are now in the final stages of development; several will be introduced in 1970. At the same time, we began marketing new components and accessories for the system that will simplify its operation and allow it to be used for batch processing of large numbers of tests.

Smith Kline Instruments' cardiac monitoring equipment, ultrasonic diagnostic instruments, and clinical laboratory instruments and reagents are also sold in a number of foreign countries.





**MEDICAL SERVICES AND  
INSTRUMENTS (continued)**

Clinical Laboratory Directors: Dr. Gerson Biskind, Biskind Laboratory of San Francisco, California; Dr. John Goforth, J. L. Goforth Laboratory of Dallas, Texas; Dr. Norman Zamcheck, The Leary Laboratory of Boston, Massachusetts, and Dr. James Patterson and Dr. Frank Coleman, Patterson and Coleman Laboratory, Inc., of Tampa, Florida.

As part of our strategy to strengthen our position in health care, we decided to enter the field of medical laboratory services.

In August of last year, Biskind Laboratory, Inc., of San Francisco joined Smith Kline & French. The Biskind Laboratory offers a full range of clinical laboratory tests to hospitals and physicians throughout northern California. Its Director, Gerson R. Biskind, M.D., is a Founding Fellow of the College of American Pathologists, Fellow of the American Society of Clinical Pathologists, member of the International Academy of Pathology and past President of the American Pathology Foundation.

The J. L. Goforth Laboratory, Inc., a widely respected medical services laboratory in Dallas, Texas, joined SK&F in October, 1969. This laboratory provides a full range of medical laboratory services for hospitals and physicians in the Southwest. J. L. Goforth, M.D., a Fellow of the College of American Pathologists, is the Director.

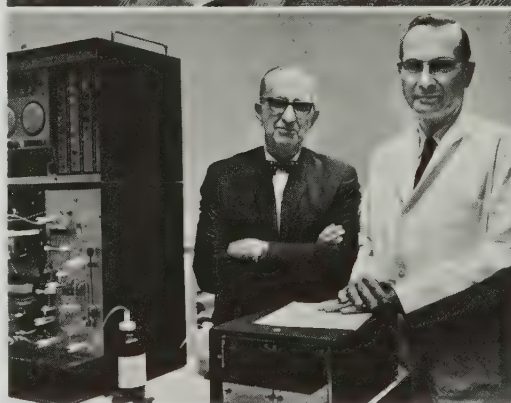
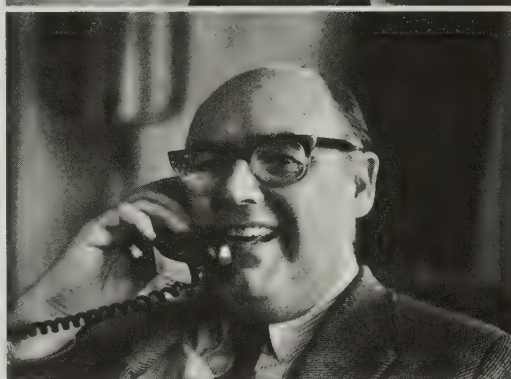
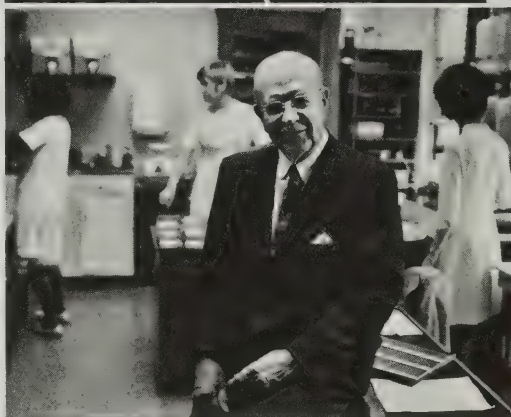
The Leary Laboratory, Inc., of Boston, Massachusetts, became affiliated with us in May of last year. This laboratory has earned a position of prominence as a reference laboratory for hospitals in the New England area. Norman Zamcheck, M.D., Director of the laboratory, also serves as Assistant Professor of Medicine at Harvard Medical School.

The fourth laboratory to join us in 1969 was the Patterson and Coleman Laboratory, Inc., of Tampa, Florida. This laboratory has seven pathologists on its staff and provides clinical testing and other services to

hospitals and physicians in the southeastern part of the United States. James N. Patterson, M.D., its founder, is a past Chairman of the Council on Clinical Chemistry of the American Society of Clinical Pathologists and a Founding Fellow of the College of American Pathologists. Frank C. Coleman, M.D., who directs the laboratory's operations, is a Fellow and past President of the College of American Pathologists and a past President of the American Association of Blood Banks.

To make our services to physicians still more complete, we are researching, developing and marketing selected medical and diagnostic equipment.

The 'Hotchkiss' otoscope is one of our diagnostic tools that is selling well both nationally and in Canada. Used in ear examinations, this instrument combines brighter light source with greater magnification, and is an improvement over previous instruments of its type. We are also testing two types of products which show considerable promise in important office and laboratory procedures.





## ULTRASONICS

We have a well-developed position now in the field of ultrasonics, which is the use of energy generated from high-frequency sound waves, and we believe this operation will become a major thrust of the corporation in the early to mid-1970's.

We now have two ultrasonics companies—Branson Instruments Company of Stamford, Connecticut, and Branson Sonic Power Company of Danbury, Connecticut.

Branson Instruments Company develops, manufactures and markets a wide range of ultrasonic cleaning equipment and instrumentation for nondestructive testing. Sales continued to expand in all major areas.

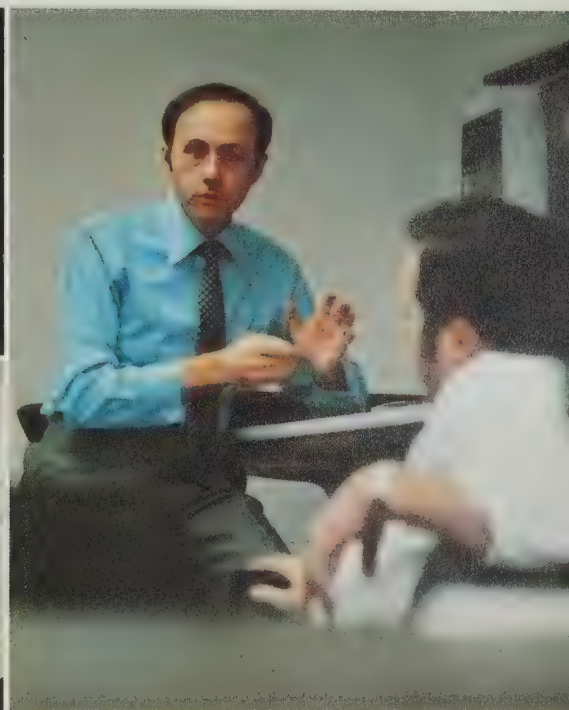
The company has long been recognized for its accurate, portable ultrasonic thickness and flaw detection instruments, used to check metal parts in applications where strength is a critical factor. Branson Instruments' 'Sonoray' series of flaw detectors and caliper thickness testers are in wide use throughout industry for inspecting submarine hulls, bridges, high pressure pipes—and were even used to test the legs of the Lunar Excursion Module.

During 1969, Branson Instruments broadened the market potential for its flaw detector equipment by introducing the first of a new series of sophisticated flaw detection systems, some of which cost more than \$100,000. One of these, developed in cooperation with Bethlehem Steel Corporation, scans and pinpoints flaws in steel plates at the rate of 300 square feet per minute.

Another measures the velocity of ultrasonic waves passing through iron parts to determine the strength of the part. This system has been installed in several automobile manufacturing plants, where it is used to check braking and steering components.

Ultrasonic cleaner, made by Branson Instruments Company, on sale at a fine specialty store; Branson engineers confer during development of new ultrasonic flaw detection equipment.

Walter Bleistein, President, Branson Instruments Company.



Branson Instruments further expanded sales potential for its nondestructive testing equipment in 1969 by entering into an agreement to market in North America a German company's highly regarded "eddy current" system, another important technique for certain types of nondestructive testing.

In ultrasonic cleaning, several new concepts were introduced in 1969, including fully automated units which have been developed to meet the needs of increased production at reduced labor costs. The company also developed and patented a process using plastic tanks, in which metal parts can be ultrasonically cleaned in highly corrosive liquids before electroplating.

The 'Bransonic' line of ultrasonic cleaners for commercial use was introduced in 1969 and is now sold nationwide by Branson Instruments and selected distributors marketing under

a private label. The 'Bransonic' line is used to clean surgical instruments, optical lenses, fine jewelry and scientific instruments. In 1970, we will introduce the 'Bransonic' line in the automotive and aircraft maintenance field, and in dental and school science laboratories. During 1969, Branson Instruments Company acquired the rights to the patented process for deburring and descaling metal parts and established a division to develop markets for this process.



Branson Sonic Power Company President, Stanley Jacke, and Andrew Shoh, Vice President, Research and Development.



Donald Kolb, Vice President of Marketing, and Walter Fair, Manager of Applications and Education.



Edward Obeda, Applications Engineer, with Branson's portable ultrasonic Pistol Grip Hand Tool.



Growth of our other ultrasonic company, Branson Sonic Power Company, was excellent in 1969. Markets for the company's products, which use ultrasonic energy to assemble thermoplastic materials and to machine hard, brittle materials, continued to expand, both in the United States and abroad. Branch offices were established in Germany, France and Japan to capitalize on the growing plastics markets in those countries.

Branson Sonic Power's plastic assembly equipment is now used in more than 23 major industries, where it can assemble items ranging from flash cubes for cameras to 30 different components on 1970 automobiles.

Branson Sonic Power Company's ultrasonic pistol grip hand tool, a gun-like device that can be used to spotweld large plastic components, was introduced during the year. Initially used to weld an all-plastic experimental automobile developed by the Borg-Warner Corporation and also a six-wheeled go-anywhere vehicle called the Amphicat, this ultrasonic spot welder is now assembling stereo cabinets, mirror frames, aircraft seats and an all-plastic car currently manufactured in Europe.

The Ultrasonic Machine Tool-3 (UMT-3), Branson Sonic Power's unique ultrasonic milling and drilling device, was also introduced in 1969 and shows great promise for the future. The UMT-3 is used to drill deep, straight, close-tolerance holes in glass, with applications in the laser industry. This method of machining is also suitable for other hard, brittle materials, such as

ceramic, alumina and ruby, which when machined with conventional equipment will frequently crack or fracture. The General Electric Company's nuclear energy facility at Valicitos, California, uses the UMT-3 for precision machining of uranium chips, which are subject to fracture by other drilling methods. The equipment has also been ordered for use in drilling through the extremely strong boron materials recently developed for the aerospace industry.



# ORGANIZING FOR INTERNATIONAL GROWTH

SK&F's reorganization of its International operations into five geographic areas, each with a great deal of autonomy, has proved to be successful. The move was made in the belief that our managers on the scene—in most cases nationals of the country they serve—are best qualified to understand the needs of the local markets and the promotion and distribution plans.

Through the reorganization we have cut expenses and improved the lines of communication, while making sure that the home office is not operating in a vacuum in making broad policy.

International sales in 1969 were \$69,745,000, compared with \$55,969,000 in 1968. Earnings after taxes were \$7,983,000, compared with \$6,359,000 in 1968. Our net assets abroad amounted to \$42,939,000, compared with \$38,906,000 at the end of 1968. We currently employ about 3,800 people in our International operations, all but 45 of whom work and live outside the continental United States.

Our International operations cover five geographical areas:

**UNITED KINGDOM:** The U. K.'s administrative, manufacturing and research headquarters are in Welwyn Garden City, north of London. At Welwyn, SK&F has its biggest R&D facility outside the United States, where research activity in several major fields of health, both human and animal, is carried out.

From this location, we direct our operations in Great Britain, Ireland, India, Pakistan, Eastern Europe, Scandinavia, the Middle East and in the African continent. A total of 1,669 people are employed by SK&F in the United Kingdom area.

During the year, SK&F initiated a program to expand its facilities in several countries which are part of our U. K. group. In Pakistan, one of our fastest-growing markets, a new sales

and manufacturing facility was completed in Karachi. We are also constructing a new plant in India on an 80-acre site near Bangalore.

**CONTINENTAL EUROPE:** Genval, Belgium, the headquarters for R.I.T., is also the headquarters for our operations in Continental Europe. SK&F employs 886 people in its various operations in France, Italy, Holland and Spain.

In 1969, R.I.T.'s new manufacturing facility for producing our rubella vaccine, 'Cendevax', was completed. We believe this building is the most modern vaccine manufacturing plant in the world.

Because of the highly productive R&D operations at R.I.T., plans have been made to expand R&D facilities there and to broaden the research efforts in human and animal vaccines.

**THE FAR EAST:** During the year, area headquarters for our Far Eastern operations were formally established at SK&F's Australian branch, located near Sydney. In addition to Australia, the Far Eastern market includes Japan, the Philippines, Malaysia, Thailand, Hong Kong, Singapore, New Zealand, New Guinea and Fiji. SK&F has 422 people employed in these countries.

Our branch in Australia currently is pursuing an R&D program to develop both human and veterinary products. The latter are significant since there are over 200 million sheep in that country, and it therefore offers an extensive market for animal health products.

During the year, SK&F began marketing its products in Indonesia for the first time and is currently engaged in expanding this market, which offers good potential for the Company.

International Area Directors: Dr. Edward Paget, United Kingdom; Edmond Marien, Continental Europe; Beric Wright, Far East.





International Area Directors Thomas Davis (Latin America) and Robert Daily (Canada) confer with their staffs.

**LATIN AMERICA:** Mexico City is the headquarters for SK&F's Latin American area operations. From this location, we direct our marketing operations in Argentina, Brazil, Central America, Peru, Puerto Rico and Venezuela. We employ 555 people in these countries.

During the year, SK&F completed plans to expand the markets for a number of its product lines in Latin America, including veterinary products in Argentina and consumer products in several Latin American countries.

Following the licensing of 'Cendevax' vaccine in Mexico, SK&F sponsored a major rubella conference jointly with the National Medical School of Mexico. This conference was attended by scientific authorities from Latin America, Europe and the United States.

**CANADA:** Headquarters for SK&F's Canadian operations are in the Montreal suburb of St. Laurent, with our Canadian R&D facilities located in another Montreal suburb, Senneville. We employ 243 people in Canada.

We are expanding the Canadian market for our ethical pharmaceutical, consumer products and medical instrument products. The LOVE cosmetic line was test marketed in Canada last year and will be introduced in department stores and other Canadian outlets this year.

Our Canadian branch was formally incorporated in January, 1970, as Smith Kline & French Canada, Ltd.





# MANAGEMENT DEVELOPMENT



Group training sessions help SK&F managers learn new techniques in problem-solving and decision-making.

Underlying the Company's personnel programs is the realization that people are the reason for SK&F's past accomplishments and the principal element in the Company's outlook for the future. Confidence in plans must be based on the capability of the people who execute the plans.

Working closely with operating executives, we are carrying out programs for the development of management personnel for today's business needs and for the growing management needs that will result from expansion in the 1970's.

In 1969, we made progress in programs to develop our people as individuals and as members of operating groups. Sensitivity training and team-building continued for supervisors and managers. More than 250 employees participated. In all, more than 500 supervisory and management people have now been through developmental programs tailored by SK&F to meet its own requirements for management and leadership skills.

SK&F has not stopped at sensitivity training, which focuses primarily on the relationships among individuals, but we have used sensitivity training as a foundation for intensive work sessions for departmental teams, such as our sales forces. In these sessions, teams zero in on goals, objectives, problem-solving and decision-making.

As our business interests broaden, we are recruiting and developing people who not only have competence in their current assignments, but who also have sufficient interest, determination and potential to look ahead to movement into new and different roles with increased rewards.

William Steytler meets with members of his Corporate Personnel staff.





## CORPORATE PLANNING AND FINANCE

Hubert Vos confers with Lester Hammar, Controller; William Rennie, Treasurer, and Kurt Reiss, Director, International Finance and Administration,



Lincoln Roden, Director,  
Corporate Development.

In 1969, the functions of Corporate Development and Finance were integrated in one department to ensure maximum coordination between corporate plans and their financial evaluation.

Corporate Development sees its role as setting the framework to facilitate effective planning by line organizations throughout the Company. It compiled an inventory of the Company's strengths and weaknesses and developed a number of alternatives to serve as a foundation for the corporate strategic plan. It is also active in promoting new ideas and concepts to our line organizations and in seeking out acquisition prospects.

Corporate Finance is steadily spreading the use of improved financial planning and control tools. Annual budgeting is being integrated with long-range planning so that the emphasis is on trends, changes in trends and the long-term

consequences of today's decisions. Return on investment and growth in earnings contribution are increasingly relied on as the key measures of acceptable performance. A computerized financial model is used for all major proposals before they are submitted to the Capital Investment Committee.

The financial resources of the Company continue to be ample for its current requirements. During 1969, high interest rates resulted in proportionately higher earnings on our marketable securities portfolio. This portfolio declined in total size during the year as a result of an increased rate of investment in new operations. This trend is expected to continue in 1970.

Capital expenditures for the year were \$12.6 million. Dividends were paid at the annual rate of \$2.00 per share. The year 1969 was the 47th consecutive year of dividend payments by the Company.



**STATEMENT OF CONSOLIDATED EARNINGS**

Year ended December 31, 1969 (with comparative figures for 1968)

<b>Current Earnings</b>	<b>1969</b>	<b>1968</b>
Income:		
Sales	<b>\$315,413,879</b>	\$282,985,558
Interest and other income	<b>4,075,638</b>	4,190,046
	<b>319,489,517</b>	287,175,604
Costs and expenses:		
Material and manufacturing cost of products sold	<b>82,226,187</b>	63,502,639
Marketing, administrative and general	<b>120,348,371</b>	103,715,835
Research and development	<b>29,065,725</b>	28,153,284
Other	<b>1,750,277</b>	1,895,554
	<b>233,390,560</b>	197,267,312
Earnings before income taxes	<b>86,098,957</b>	89,908,292
Provision for federal, state and foreign income taxes	<b>45,600,000</b>	47,570,000
Net earnings	<b>\$ 40,498,957</b>	\$ 42,338,292
Net earnings per share—1969, 14,422,799 average shares; (1968, 14,518,468 average shares)	<b>\$ 2.81</b>	\$ 2.92
Depreciation charged to operations (included above)	<b>\$ 5,780,729</b>	\$ 6,188,757
<b>Earnings Retained in the Business</b>		
Balance at beginning of year	<b>\$171,629,284</b>	\$158,150,821
Retained earnings of subsidiaries not previously consolidated	—	177,753
Net earnings for the year	<b>40,498,957</b>	42,338,292
	<b>212,128,241</b>	200,666,866
Deduct cash dividends paid—\$2.00 per share	<b>28,835,693</b>	29,037,582
Balance at end of year	<b>\$183,292,548</b>	\$171,629,284

See accompanying notes to financial statements.



**CONSOLIDATED BALANCE SHEET**

December 31, 1969 (with comparative figures as of December 31, 1968)

<b>Assets</b>	<b>1969</b>	<b>1968</b>
Current assets:		
Cash	\$ 10,752,596	\$ 8,069,283
Marketable securities, at cost which approximates market	37,621,146	50,630,589
Accounts and notes receivable, less provision for losses \$632,158 (1968, \$346,316)	49,951,134	39,849,814
Inventories—generally at the lower of average cost or market:		
Finished products	12,517,475	10,980,254
Work in process	13,621,098	8,326,208
Raw materials and supplies	15,389,274	12,812,259
	<u>41,527,847</u>	<u>32,118,721</u>
Prepaid expenses	3,671,423	3,338,420
Total current assets	<u>143,524,146</u>	<u>134,006,827</u>
Investments and other assets, at cost (note 1)	1,521,921	7,119,813
Plant and equipment, at cost:		
Land	6,436,290	5,631,174
Buildings	69,988,408	62,456,732
Machinery and equipment	53,161,946	42,032,952
	<u>129,586,644</u>	<u>110,120,858</u>
Less accumulated depreciation (note 2)	52,885,940	42,627,821
	<u>76,700,704</u>	<u>67,493,037</u>
Goodwill, patents and other intangibles	20,415,252	14,478,620
	<u>\$242,162,023</u>	<u>\$223,098,297</u>

See accompanying notes to financial statements.



<b>Liabilities and Shareholders' Equity</b>	<b>1969</b>	<b>1968</b>
Current liabilities:		
Loans payable	\$ 14,133,021	\$ 8,955,790
Accounts payable	15,129,753	11,010,631
Accrued expenses	17,850,336	15,678,781
Income taxes	<u>19,490,443</u>	<u>17,566,336</u>
Total current liabilities	<u>66,603,553</u>	<u>53,211,538</u>
Shareholders' equity:		
Common stock without par value. Authorized 18,000,000 shares; issued 14,641,504 shares at stated value (note 3)	7,124,290	7,124,290
Earnings retained in the business	<u>183,292,548</u>	<u>171,629,284</u>
	190,416,838	178,753,574
Less 254,813 shares of common stock in treasury, at cost (1968, 126,913 shares)	<u>14,858,368</u>	<u>8,866,815</u>
Total shareholders' equity	<u>175,558,470</u>	<u>169,886,759</u>
	<u>\$242,162,023</u>	<u>\$223,098,297</u>



Smith Kline & French Laboratories and Subsidiaries

## STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1969 (with comparative figures for 1968)

	1969	1968
<b>Source of Funds:</b>		
Net earnings for the year	\$40,498,957	\$42,338,292
Depreciation	5,780,729	6,188,757
Other, net	<u>2,302,649</u>	<u>1,656,569</u>
Total source of funds	<u>48,582,335</u>	<u>50,183,618</u>
<b>Application of Funds:</b>		
Dividends	28,835,693	29,037,582
Capital expenditures	12,620,382	9,948,029
Purchase of treasury stock	5,991,553	222,003
Increase in foreign investments in 1968	—	4,467,020
Excess of cost over underlying assets of subsidiaries acquired during the year	<u>5,009,403</u>	<u>—</u>
Total application of funds	<u>52,457,031</u>	<u>43,674,634</u>
Increase (decrease) in working capital	<u><u>\$(3,874,696)</u></u>	<u><u>\$ 6,508,984</u></u>



## NOTES TO FINANCIAL STATEMENTS

December 31, 1969

## ACCOUNTANTS' REPORT

### (1) Basis of Consolidation, etc.

The consolidated financial statements include the accounts of Smith Kline & French Laboratories and its domestic and foreign subsidiaries, including the Belgian subsidiary not previously consolidated.

The accounts of foreign subsidiaries and branches included in the consolidated financial statements have been translated into U.S. dollars as follows: plant and equipment at approximate U. S. dollar equivalent of cost at dates of acquisition; all other accounts at appropriate closing rates of exchange, except for depreciation charges which have been based on the U. S. dollar cost of the related assets. (See "Organizing for International Growth"—page 25 for additional information with respect to international operations.)

### (2) Depreciation

Effective January 1, 1969, the straight-line method of depreciation was adopted for accounting purposes throughout the Company. Prior to this change both accelerated and straight-line methods were used, the latter method applying principally to foreign subsidiaries. This change, after provision for appropriate deferred income taxes which are included in the caption "Income taxes," had no material effect on net earnings for the year.

### (3) Stock Option Plan

Under the Company's qualified stock option plan approved by the shareholders in 1966, there were options outstanding for 109,975 shares of common stock at the beginning of the year and 110,725 shares at the end of the year. During the year, options for 9,200 shares were granted at the fair market value of \$52.06 per share; no options were exercised and options for 8,450 shares were cancelled. At the end of the year, there were 289,275 shares available for future granting under the plan.

### (4) Retirement Plans

The Company and seven of its subsidiaries have trustee, non-contributory pension plans which provide retirement benefits for eligible employees. In connection with such plans, earnings have been charged in 1969 with \$2,555,000 applicable principally to current costs as past service costs have been substantially funded. Certain other subsidiaries have separate retirement plan arrangements which include insured plans and unfunded plans.

PEAT, MARWICK, MITCHELL & CO.  
CERTIFIED PUBLIC ACCOUNTANTS  
1500 WALNUT STREET  
PHILADELPHIA, PA. 19102

#### The Shareholders

Smith Kline & French Laboratories:

We have examined the consolidated balance sheet of Smith Kline & French Laboratories and subsidiaries as of December 31, 1969 and the related statement of earnings and the statement of consolidated source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings present fairly the financial position of Smith Kline & French Laboratories and subsidiaries at December 31, 1969 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying statement of source and application of funds for the year ended December 31, 1969 presents fairly the information shown therein.

Peat, Marwick, Mitchell & Co.

February 24, 1970

*Transfer and Dividend Disbursing Agents*—The Philadelphia National Bank, Philadelphia; Morgan Guaranty Trust Company of New York

*Registrars*—The Fidelity Bank, Philadelphia; First National City Bank, New York



## TEN-YEAR SUMMARY

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<b>Operating Results</b>	<b>1969</b>	<b>1968</b>	<b>1967</b>
Sales	<b>\$315.4</b>	<b>\$283.0</b>	<b>\$260.0</b>
Interest and other income	<b>4.1</b>	<b>4.2</b>	<b>4.1</b>
Material and manufacturing cost of products sold	<b>82.2</b>	<b>63.5</b>	<b>57.1</b>
Marketing, administrative and general expenses	<b>120.3</b>	<b>103.7</b>	<b>96.8</b>
Research and development expenses	<b>29.1</b>	<b>28.2</b>	<b>26.0</b>
Other expenses	<b>1.8</b>	<b>1.9</b>	<b>1.2</b>
Earnings before income taxes	<b>86.1</b>	<b>89.9</b>	<b>83.0</b>
Provision for income taxes	<b>45.6</b>	<b>47.6</b>	<b>40.9</b>
Net earnings	<b>40.5</b>	<b>42.3</b>	<b>42.1</b>
Depreciation charged to operations (included above)	<b>5.8</b>	<b>6.2</b>	<b>5.6</b>
Net earnings per share	<b>\$2.81</b>	<b>\$2.92</b>	<b>\$2.90</b>
Dividends paid per share	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>

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### Financial

Current assets	<b>\$143.5</b>	<b>\$134.0</b>	<b>\$118.2</b>
Current liabilities	<b>66.6</b>	<b>53.2</b>	<b>43.9</b>
Working capital	<b>76.9</b>	<b>80.8</b>	<b>74.3</b>
Plant and equipment (net)	<b>76.7</b>	<b>67.5</b>	<b>64.5</b>
Total assets	<b>242.2</b>	<b>223.1</b>	<b>200.6</b>
Capital expenditures	<b>12.6</b>	<b>9.9</b>	<b>10.6</b>
Shareholders' equity	<b>175.6</b>	<b>169.9</b>	<b>156.6</b>
Number of employees	<b>9,431</b>	<b>8,989</b>	<b>7,645</b>



Dollar amounts in millions except per share figures

1966	1965	1964	1963	1962	1961	1960
\$251.4	\$243.7	\$218.2	\$203.5	\$180.8	\$161.7	\$148.1
3.2	3.3	3.0	2.3	2.1	1.7	1.7
52.9	55.9	51.4	49.0	45.6	43.2	39.8
95.2	84.1	72.4	66.5	54.8	45.6	44.3
25.1	23.8	20.0	18.2	17.1	14.3	13.7
1.1	.5	.6	.2	.4	.5	.1
80.3	82.7	76.8	71.9	65.0	59.8	51.9
39.0	40.5	38.1	37.9	34.5	32.7	27.6
41.3	42.2	38.7	34.0	30.5	27.1	24.3
5.1	4.4	3.6	3.3	3.1	3.0	2.7
\$2.84	\$2.89	\$2.64	\$2.33	\$2.08	\$1.85	\$1.66
2.00	1.85	1.55	1.50	1.35	1.25	1.25

\$107.1	\$107.4	\$115.7	\$103.6	\$87.6	\$72.1	\$61.3
42.9	47.6	44.5	42.3	36.7	31.5	27.0
64.2	59.8	71.2	61.3	50.9	40.6	34.3
60.2	53.6	46.0	39.2	37.0	35.4	34.2
186.5	181.4	170.1	151.9	134.3	118.3	104.9
12.5	14.4	11.4	6.0	5.1	4.0	7.5
143.6	133.6	124.8	108.9	96.8	86.0	77.2
7,473	7,030	6,091	5,724	5,250	4,895	4,645



# SMITH KLINE & FRENCH LABORATORIES

## Directors

Walter A. Munns,  
Chairman

Samuel H. Ballam, Jr.

Francis Boyer

Carter L. Burgess

Morris Cheston

Alfred J. D'Angelo

Robert F. Dee

Stanley C. Fenwick

Thomas S. Gates

Courtlandt S. Gross

Thomas M. Rauch

Miles Valentine

Donald van Roden

## Corporate Officers

Walter A. Munns, Chairman of the Board

Thomas M. Rauch, President and Chief Executive Officer

Harold A. Clymer, Vice President, Research and Development—  
Pharmaceuticals

Alfred J. D'Angelo, Vice President, Corporate Technical Services

Robert F. Dee, Group Vice President, Consumer, Animal and  
Instrument Products

Stanley C. Fenwick, Group Vice President, International

Peter Godfrey, Vice President, Consumer Products

John K. Nevin, Vice President, Manufacturing—Pharmaceuticals

J. Somers Smith, Jr., Vice President, Marketing—Pharmaceuticals

William Steytler, Jr., Vice President, Corporate Personnel

Donald van Roden, Group Vice President, Pharmaceuticals

Hubert D. Vos, Vice President, Corporate Planning and Finance

Walter W. Beachboard, Secretary

Lester E. Hammar, Controller

William T. Rennie, Treasurer

## Principal Subsidiary Companies

American Polarizers, Inc., Reading, Pennsylvania

Avoset Food Corporation, Oakland, California

Branson Instruments, Inc., Stamford, Connecticut

Laboratorios Julian de Mexico, S.A.,  
Mexico City, Mexico

Menley & James Laboratories, Ltd., Philadelphia,  
Pennsylvania

Norden Laboratories, Inc., Lincoln, Nebraska

Sea & Ski Corporation, Reno, Nevada

Smith Kline Instruments, Inc., Palo Alto,  
California

Recherche et Industrie thérapeutiques, S.A.,  
Genval, Belgium

Recherche et Industrie Thérapeutiques, S.A.,  
Paris, France

A. S. Ruffel (Proprietary) Limited, Johannesburg,  
Transvaal, South Africa

SK&F Co., San Juan, Puerto Rico

Smith Kline & French Overseas Co.,  
Philadelphia, Pennsylvania; Tokyo, Japan;  
Manila, Philippines

Smith Kline & French Inter-American Corporation,  
Philadelphia, Pennsylvania; Montreal,  
Canada; Lima, Peru; San Juan, Puerto Rico;  
Buenos Aires, Argentina

Smith Kline & French Laboratories Limited,  
Welwyn Garden City, England

Smith Kline & French (Proprietary) Limited,  
Isando, Transvaal, South Africa

Smith Kline & French Laboratories (Australia)  
Limited, French's Forest, New South Wales,  
Australia

Smith Kline & French (India) Limited, Bombay,  
India

Smith Kline & French, S.A., Mexico City, Mexico

Smith Kline & French of Pakistan Limited,  
Karachi, Pakistan

Corporate Offices  
Philadelphia, Pa.

Manufacturing Facilities  
Pharmaceutical Products  
Philadelphia, Pa.  
San Juan, Puerto Rico  
Lincoln, Neb.

Consumer Products  
Philadelphia, Pa.  
Gustine, Calif.  
Washington Court House, Ohio  
Reno, Nev.

Instrument Products  
Palo Alto, Calif.

Ultrasonic Products  
Clark, N. J.  
Danbury, Conn.  
Shelton, Conn.  
Stamford, Conn.

International  
Australia  
Belgium  
Canada  
France  
India  
Italy  
Mexico  
The Netherlands  
Pakistan  
Philippines  
South Africa  
United Kingdom

Research and Development  
Facilities  
Philadelphia, Pa.  
Upper Merion, Pa.  
Chester County, Pa.  
Lincoln, Neb.  
Gustine, Calif.  
Palo Alto, Calif.  
Danbury, Conn.  
Stamford, Conn.  
Australia  
Belgium  
Canada  
South Africa  
United Kingdom



COMMUNITY AFFAIRS

For many years, we have been actively working to help improve conditions in the Spring Garden area, which runs north for several blocks from the Company's Philadelphia headquarters and is an area greatly in need of urban renewal.

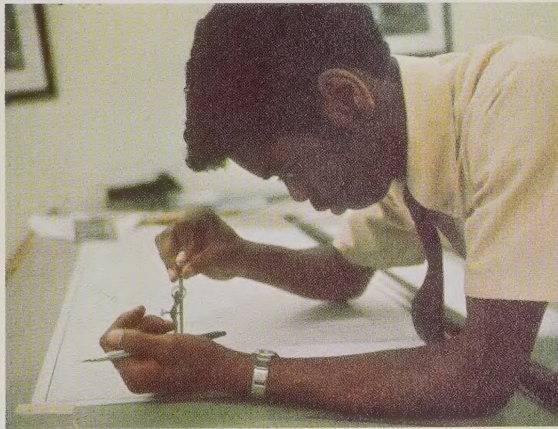
In 1966, we opened the SK&F Information Services Center, which provides information and referral services for some 2,000 local citizens each year and also serves as community "nerve center," sponsoring and supporting block organizations, Boy, Girl and Cub Scouts and similar groups. It is staffed with people from the local community and is under the supervision of trained and experienced community workers familiar with the Spring Garden area and its needs.

Last year, we continued an educational program started in 1967—the Business Experience Education Program (BEEP), a project established with the cooperation of two neighborhood

schools. In this program, we employ male high school students from the low-income North Philadelphia neighborhood to work in various departments of the Company, which helps young men define realistic occupational goals and enables them to acquire marketable business skills. During 1969, this program was extended to girls from nearby high schools. Known as the Secretarial Training Education Program (STEP), this project provided secretarial work and training for young women during the year.

We also supported a new community project last summer for young men from the Spring Garden area. This project provided summertime employment and education relating to the needs of the Spring Garden community. In addition to community improvement projects, such as cleanup campaigns, the youths took part in classroom sessions and received college and career counseling.

Carver Portlock, Community Relations Manager, with Spring Garden area youths; a Philadelphia high school student from a low-income neighborhood learns and earns in SK&F's BEEP Program.



Trademarks Appearing in This Report

ALAVON	— trademark for combination of trifluoperazine and amobarbital	ESKALAB	— trademark for clinical chemistry system
BLOAT GUARD	— trademark for poloxalene	ESKALITH	— trademark for lithium carbonate
BLOCKOUT	— trademark for suntan lotion	FELOCINE	— trademark for feline distemper vaccine used in veterinary medicine
BRANSONIC	— trademark for a line of portable ultrasonic cleaning equipment	HOTCHKISS	— trademark for otoscopes
CALAVON	— trademark for combination of trifluoperazine and amobarbital (Australia)	LIFEGUARD SYSTEMS <sup>®</sup>	— trademark for cardiac monitoring medical instruments and cardiac monitoring systems
CENDEVAX	— trademark for rubella virus vaccine	LIPSAVER	— trademark for lip balm
CONTAC	— trademark for decongestant capsule and related products	ORNEX	— trademark for a combination of acetaminophen, salicylamide, caffeine and phenylpropanolamine
DOPTONE	— trademark for a fetal pulse detector and a blood flow detector	RESALTEX	— trademark for combination of triamterene, hydrochlorothiazide and reserpine (Germany)
DUATROL	— trademark for combination of aluminum hydroxide, glycine, calcium carbonate and dimethylpolysiloxane (Canada)	RESBOVAC	— trademark for a veterinary vaccine
DURASINA	— trademark for decongestant capsule and related products (Spain)	SEA & SKI	— trademark for sun care products
ENDURACELL	— trademark for canine distemper and hepatitis vaccine	SONORAY	— trademark for ultrasonic nondestructive testing equipment
ENDURALL-R	— trademark for rabies vaccine used in veterinary medicine	SPANEPH	— trademark for ephedrine
		SPANSULE	— trademark for sustained release capsule
		TANFASTIC	— trademark for suntan lotions and oils
		THORAZINE	— trademark for chlorpromazine



A colony of albino rabbits, whose kidney cells are used for the attenuation and production of SK&F's German measles vaccine.



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